

**OPENING STATEMENT OF
CONGRESSMAN PAUL E. KANJORSKI
COMMITTEE ON FINANCIAL SERVICES
HEARING ON SARBANES-OXLEY AT FOUR:
PROTECTING INVESTORS AND STRENGTHENING THE MARKETS
TUESDAY, SEPTEMBER 19, 2006**

Mr. Chairman, just over four years ago after a tidal wave of corporate scandals, we adopted the Sarbanes-Oxley Act. We are meeting today to review the effects of this landmark law on our capital markets. I believe that it has strengthened corporate responsibility, improved auditing results, and enhanced investor confidence.

Since the enactment of the Sarbanes-Oxley Act, however, we have regularly heard complaints from some parties about the costs of complying with the law. In particular, the statute's provisions regarding internal control audits have become the subject of an extensive public debate. I would therefore like to focus my comments this afternoon on this area of the law.

We designed Section 404 to require publicly traded companies and their auditors to assess a firm's policies, practices, systems and procedures to prevent abuse, protect against fraud, and ensure proper accounting. This provision also requires companies to report any material weaknesses in these internal controls -- and work to fix these problems -- before financial reporting failures occur. This mandate helps public corporations to decrease their risk of future shareholder losses.

As I noted last year when we reviewed these matters, Section 404 has another important benefit: This provision is helping executives to better understand the financial reporting shortcomings within their companies, allowing them to recognize the nature of the problems earlier and adopt reforms in accounting procedures expeditiously. This work is also helping to provide important assurances to the senior officers of public companies who now must sign statements attesting to the accuracy of their financial statements under Section 302 of the Sarbanes-Oxley Act.

In May, the Public Company Accounting Oversight Board and the Securities and Exchange Commission announced the steps that they would take to improve the implementation of Section 404, particularly for small public companies. Hopefully, these efforts will result in the establishment of a "roadmap" that provides smaller companies and their auditors with the tools needed to achieve the benefits of strong internal control without unnecessary cost.

In addition to addressing questions about Section 404 implementation, I hope that our distinguished witnesses will examine another budding issue: how the Sarbanes-Oxley Act affects listed companies when an American exchange, like the New York Stock Exchange or NASDAQ, purchases or merges with a foreign one. I would also like to know the thoughts of our expert witnesses about what reforms, if any, we should adopt to protect investors in our increasingly interconnected international capital markets. Is it, for example, timely to consider the creation of an international securities framework?

In closing, Mr. Chairman, today's hearing is a fitting way to end your congressional career. As the Public Company Accounting Oversight Board and the Securities and Exchange Commission work to implement the law that bears your name, it is appropriate for us to review their progress.
